

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4025-01
Bill No.: SB 729
Subject: Political Subdivisions; Contracts and Contractors
Type: Original
Date: January 26, 2010

Bill Summary: This proposal creates the “Political Subdivision Construction Bidding Standards Act.”

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation, Department of Conservation, Office of the State Courts Administrator, Department of Natural Resources, St. Louis County, Cass County, and Missouri State University** assume there would be no fiscal impact to their respective agencies.

Officials from the **City of Kansas City** state this legislation may have a negative fiscal impact on the City of Kansas City, Missouri, in an indeterminate amount because this legislation would result in higher administrative costs and unknown financial consequences of delaying the opening of bids and subsequent commencement of a project.

Officials from the **City of Joplin** state this legislation mirrors their city purchasing policies except for the bidding limit which is \$15,000. The reason for this limit is because local advertisement is quite expensive, and there are times that some smaller projects need a faster turn around than a formal bid can allow.

Officials from the **City of Centralia** estimate this bill will increase costs for their jurisdiction by \$1950.00 per year. This is based on the purchase of 10 ads @ \$195.00 each for construction or repair projects, not otherwise advertised.

Officials from the **Branson Public Schools** state this bill would negatively affect their district in the following ways:

- An increase in advertising costs of \$10,000 based on their average 20 projects per year that don't currently require advertising.
- An expected increase of approximately 10% to cover the additional cost of contractors to provide bid and performance bond insurance previously not required on small projects.
- An unknown increase to construction costs based on fewer bidders per project due to the loss of small sized contractors that do not qualify to be bonded and thus unqualified to bid.

Oversight assumes an unknown negative impact to local government funds.

ASSUMPTION (continued)

Oversight sent response requests to the following counties: **Andrew, Barry, Bates, Boone, Buchanan, Butler, Callaway, Camden, Cape Girardeau, Carroll, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Hickory, Jackson, Jasper, Jefferson, Johnson, Knox, Laclede, Lafayette, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Pemiscot, Perry, Phelps, Platte, Pulaski, Randolph, St. Charles, St. Francois, Taney, Texas, Warren, and Webster.** No response was received.

Oversight sent response requests to the following cities: **Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Kearney, Kirksville, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Linn, Louisiana, Maryland Heights, Maryville, Mexico, Neosho, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, West Plains.** No response was received.

Oversight sent response requests to the following school districts: **Blue Springs Public Schools, Columbia Public Schools, Francis Howell, Independence Public Schools, Jefferson City Public Schools, Kansas City Public Schools, Kirksville Public Schools, Lee Summit Public Schools, Mehlville Public Schools, Mexico Public Schools, Nixa Public Schools, Parkway Public Schools, Sedalia School District, Sikeston Public Schools, Silex Public Schools.** No response was received.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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LOCAL GOVERNMENT FUNDS

<u>Costs - bidding procedures</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENT FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

Small businesses could be affected if they are unable to provide performance or payment bond insurance and thus unqualified to bid.

FISCAL DESCRIPTION

This act creates the "Political Subdivision Construction Bidding Standards Act". Except for certain violations, this act does not apply to political subdivisions that have specific state or local competitive bidding requirements that are equivalent or stricter than the ones contained in this act. If a political subdivision is not covered by a specific federal, state, or local law that is equivalent or stricter in its requirements, it shall comply with the advertising and bidding requirements outlined in this act when soliciting bids and awarding contracts of \$6,000 or more.

Contract for construction shall be advertised in advance of the acceptance of bids for a minimum of two days in an area newspaper, with the first ad appearing at least 30 days in advance of the stated deadline for acceptance of bids. For contracts for over \$100,000, bids shall also be advertised by providing information to at least one organization which regularly provides information to construction contractors. Ads and solicitations must include the project name, submission deadline, and the time, date, and location of where the bids shall be received and opened.

Unless otherwise specified by law, a contract shall be awarded to the lowest and best bidder. However, the political subdivision may reject the low bidder based on the bidder's failure to provide a performance or payment bond, nonperformance on previous contracts, or other reasons specified as to the bidder's inability to adequately perform the contract.

Under no circumstances shall construction contracts for any political subdivision be awarded in violation of certain requirements, including opening bids in advance of the advertising deadline,

accepting bids that are unwritten, accepting bids after the advertised deadline, and failing to hold bids confidential.

A person submitting a bid, or who would have submitted a bid except for violations, may seek equitable relief and monetary damages for monetary losses.

Electronic bidding shall be allowed if it meets the standards of confidentiality. Nothing in this section shall require acceptance of a bid which exceeds the amount estimated by the political subdivision for the contract. Also, political subdivisions may award contracts without competitive bidding when there is an immediate public danger, to prevent loss to property, or to

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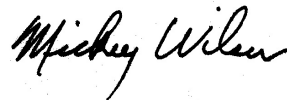
FISCAL DESCRIPTION (continued)

prevent or restore essential public services. Under such circumstances, the political subdivision must produce a written public record documenting the need to contract without competitive bidding.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Transportation
Office of the State Courts Administrator
Department of Conservation
St. Louis County
Cass County
City of Kansas City
City of Centralia
City of Joplin
Missouri State University
Branson Public Schools



Mickey Wilson, CPA
Director
January 26, 2010